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EC: In the aftermath of the energy conference, European leaders are assessing the effect of France's isolated position and of Germany's strong stand on EC relations. Their anxieties about the effect of the conference on European relations with the producers and less developed countries have faded, at least temporarily.

The West Germans, already shaken by the French decision to leave the joint float, are angry over French obstructionism. Working-level Foreign Ministry officials--in exaggerated post-conference outbursts--maintain that Bonn's patience with Paris has worn thin and that Bonn will no longer tolerate a French veto over the pace and substance of European integration, or the US-European relationship.

Foreign Minister Scheel and Finance Minister Schmidt publicly criticized Paris for transforming the energy problem into a major EC political crisis. Belgian Foreign Minister Van Elkslande also minced few words in castigating the French, claiming that France's "obstinate refusal to make reasonable compromises" is the true threat to European unity.

Some European officials have compared the present EC crisis with that of the mid-1960s when France withdrew from active EC participation for a number

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of months. France would be unlikely to repeat that performance now, in the opinion of a Danish official, because it is looking forward to its chairmanship of the EC in July.

France, in fact, is already considering the prospect of the next EC foreign ministers' meeting, at which it will seek approval of an EC offer of wide-ranging cooperation with the Arab states.

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USSR-US: A Soviet Foreign Ministry official has asserted that Moscow accepts the concept of mutual assured destruction; that is, the reliance on the threat of massive destruction of urban and industrial centers as the basis for deterrence.

Speaking to a US diplomat in Moscow on February 12, Oleg Sokolov, a middle-level official in the Foreign Ministry's USA division, said that Moscow did not consider it useful to discuss this concept publicly because that would give the erroneous impression that the two superpowers contemplate with equanimity the idea of destroying each other.

Sokolov also pointed out that the Soviet press had initially refrained from dealing with Secretary Schlesinger's statements on the new US nuclear targeting options. According to the official's account, the Secretary's comments on US-Soviet strategic confrontation, US plans for new military programs, and recent increases in the proposed Pentagon budget seemed to necessitate some sort of public response.

Sokolov's assertion that the USSR accepts the mutual assured destruction concept is highly unusual and does not necessarily constitute an official declaration of Soviet doctrine, although a Soviet general officer at SALT made a similar claim last year. It was probably prompted by Soviet concern that the US is moving away from this doctrine and toward a counterforce strategy. A prominent Soviet specialist in military affairs, M. A. Milshteyn, implied as much late last month in privately commenting on the meaning of the new US targeting options. Sokolov's statement suggests that the Soviets may be having difficulty in determining the meaning of recent US pronouncements on nuclear targeting policy, and Sokolov may have been probing for clarification.

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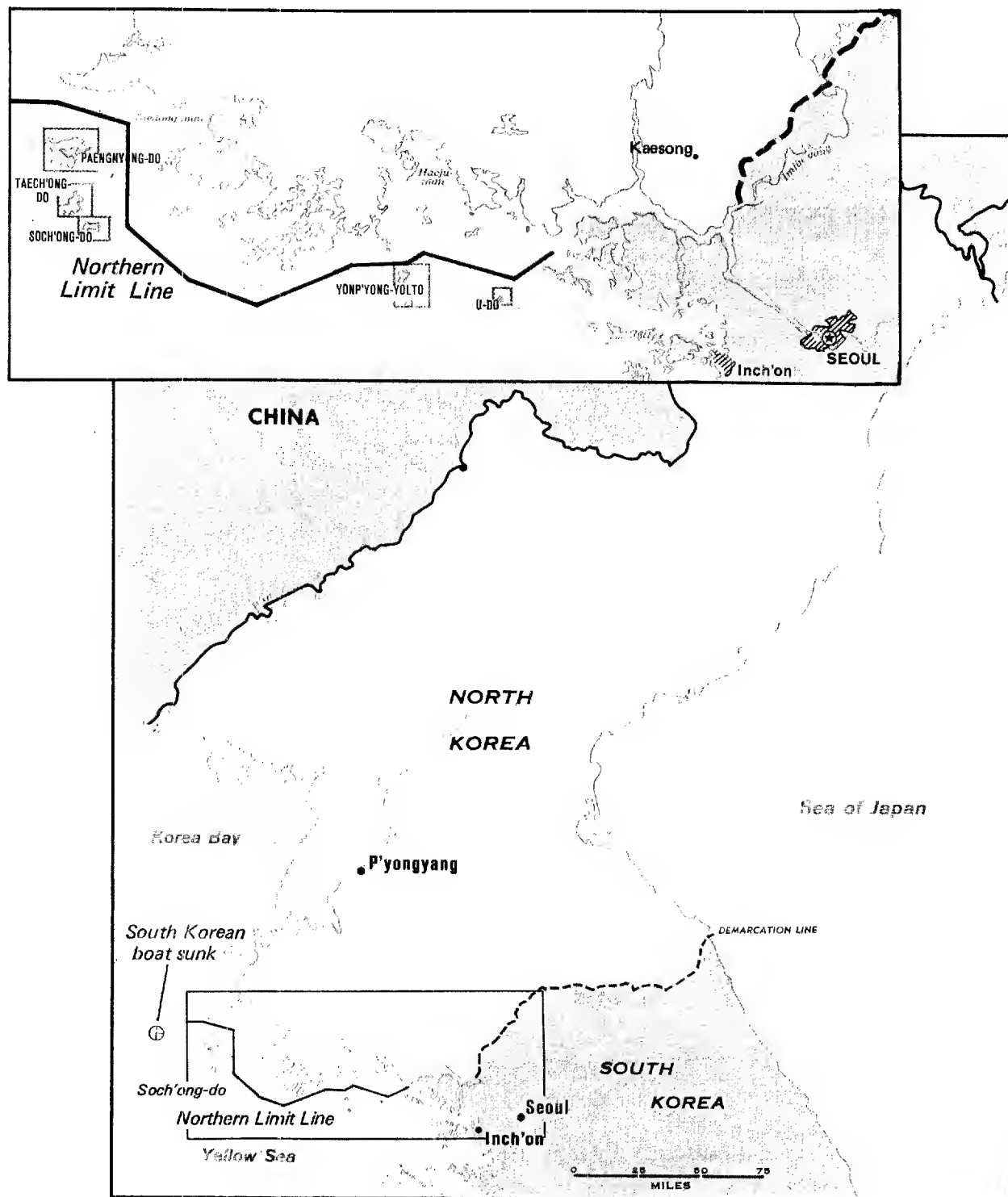
The Soviets will remain hesitant to address the mutual destruction doctrine in public, partly because open discussion could undercut the rationale for a nuclear fighting force and damage military morale. This public silence on mutual assured destruction also has the effect of preserving Moscow's nuclear options against the Chinese and other nuclear powers that, in the Soviet view, may not yet have the capability to inflict an unacceptable level of damage on the USSR in a nuclear exchange. [REDACTED]

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KOREA: Seoul may be reinforcing some of the islands it occupies just south of the Northern Limit Line, in accordance with orders issued by President Pak last December.

ROK ships are reported bringing construction equipment to the islands to support a sizable defense buildup that Seoul hopes to complete over the next several months.

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Pyongyang is certain to view the buildup with increasing concern. The North Koreans have demanded that Seoul not bring military vessels or equipment through the waters surrounding the islands, which they claim are within the 12-mile territorial limit. Pyongyang has not protested this specific action, although it continues to accuse Seoul of carrying out provocative activity in the vicinity of the islands. The latest charges were made on February 15 in connection with the sinking of a South Korean fishing boat northwest of the Northern Limit Line. Pyongyang claimed that the boat had carried out a "hostile act of espionage" and stated that North Korean vessels had taken "proper self-defense measures."

Although strongly worded, the North Korean statement is consistent with the general tenor of recent North Korean commentary, suggesting that Pyongyang does not want to make an issue of the incident. Pyongyang has, moreover, reportedly released a second fishing vessel captured in the encounter and has agreed to return the surviving crew member of the sunken vessel. Although the North has usually released captured vessels and crew, it has rarely done this so rapidly.

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SOUTH VIETNAM: The South Vietnamese cabinet, with the exception of Prime Minister Khiem, resigned on February 16 at President Thieu's request. Thieu asked the cabinet to remain as caretaker until a new one is named.

The move apparently is a device for Thieu to bring about a planned reorganization of the cabinet as part of a broader government restructuring. By reorganizing the cabinet, Thieu hopes to strengthen the prime minister's office significantly and streamline the economic leadership to cope with pressing economic problems such as inflation. [REDACTED]

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CUBA-US: A Cuban diplomat has strongly implied to a US Embassy official in Mexico City that the Castro government is ready to respond positively to any US initiative aimed at easing the impasse between the two countries.

The Cuban, a low-level Foreign Ministry official, apparently was sent to Mexico to cover the meeting next week between Secretary Kissinger and the Latin American foreign ministers. In view of the Castro regime's extreme sensitivity to this issue, it is likely that he was speaking with Havana's authorization.

During a luncheon of the diplomatic club in Mexico City, the Cuban persistently queried the US official about the meeting next week. He repeatedly emphasized that the Secretary's remarks in the conference would be a key factor in determining Cuba's attitude toward the US in the immediate future. Nevertheless, he repeated the standard line that any initiative must come from the US.

Although this may be a serious initiative by the Cuban Government, several other motivations are probably also involved. Cuba is curious whether the US is about to institute a change in policy toward Havana, and it wants to encourage speculation among other nations in the hemisphere that a major change in the Cuban-US relationship is imminent.

By adding fuel to the rumors of an impending change, the Cubans may be trying to generate pressure by the Latin American foreign ministers on Secretary Kissinger to effect such a change. In Havana's eyes, a US refusal would antagonize many of the Latin Americans and put the US on the defensive in the conference. An acceptance would be portrayed by Havana as a victory over "imperialism."

Cuban Government spokesmen have stated on several occasions in the past year that Havana would be willing to begin talks with the US, but only on Cuban terms.

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UK: London has decided to institute stringent export controls on coal and steel to reduce pressure on domestic supplies. These restrictions, unopposed by the EC, are scheduled to be implemented on February 18, and will be applicable for an indefinite period. If the coal strike is not settled, restrictions on coal exports would buy only a little more time before some regions are hit by power blackouts. London fears that if steel is exported now it will have to be imported later in the year at higher prices.

The EC Commission is expected to approve London's application to restrict exports to Community partners, because the effects would be minimal. West Germany, by far the largest EC buyer of British coal, imports about 140,000 tons per month, but this represents only about two percent of its consumption. Similarly, British steel represents only a very small proportion of EC steel usage...

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UK: As the first week of campaigning for the election on February 28 draws to a close, both the Labor and Liberal parties are trying to prevent the question of whether the government or the unions rule Britain from becoming the dominant issue. The Conservatives, however, are pushing hard to keep this question central, and most observers concur that the key issues continue to be industrial relations and inflation.

The Labor Party is stressing the problems of inflation and EC membership in an attempt to dissociate the party from its close identification with the striking coal miners. By focusing on the EC issue, party leader Harold Wilson hopes to trade on widespread public suspicion of the EC--which is blamed for Britain's high food prices--and to use this as a rallying point for disaffected Britons who are attracted by his promise to renegotiate the terms of EC membership and to hold a national referendum on the question if Labor wins. Prime Minister Heath has strongly defended UK membership in the EC, and has charged that the overall cost of the Labor Party program would lead to higher taxes and rampant inflation.

The Conservative proposal to force the trade unions to use strike funds rather than social security benefits to support strikers' dependents has become a controversial issue and has drawn sharp criticism from the Labor Party. Wilson, drawing a parallel between social security benefits to dependents of strikers and dependents of prisoners, satirically questioned the wisdom of denying benefits to those on legal strike while providing the money to criminals.

The Liberal Party thus far has been trying to hold a middle ground. Claiming that they are beholden neither to business nor labor, the Liberals intend to offer a program that they claim will appeal to those disenchanted with both major parties.

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The labor unions, meanwhile, are trying to project an image of moderation in an effort to counter Tory charges that union extremists brought on the crisis and the early elections. The leader of the Trades Union Congress told embassy officers that his organization will issue a "white paper" next week explaining its efforts to resolve the industrial crisis.

Union leaders expect a moderate, low-key stance will help Labor Party chances. Slowdowns and strikes by locomotive engineers, which annoyed the public, have ceased in the wake of a personal appeal from Wilson. He also suggested that the campaign be suspended for a 24-hour period so that talks could be held with union leaders in an effort to end the strike. This was the first time that the Labor Party, after rejecting a number of Heath's earlier efforts at conciliation, had endorsed a proposal aimed at ending the strike. Despite a few incidents of violence, the striking miners by and large are observing the "code of behavior" issued by their leaders, in marked contrast to the "flying picket" violence of the 1972 strike.

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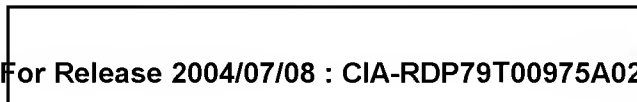
Taiwan - Saudi Arabia: Preliminary agreement has been reached on Taiwanese construction of an oil refinery, urea plant, and methyl alcohol plant in Saudi Arabia. Cost and capacity details have not been worked out, but Taipei is thinking in terms of a 100,000-barrels-per-day refinery, a 500,000-tons-per-year urea plant, and a 5,000-tons-per-day alcohol plant. Taipei is also considering the possibility of obtaining US participation in the projects.



Yugoslavia: The Yugoslav news agency announced late yesterday that President Tito has postponed "for a short time" his trip to Hungary, which was to begin Sunday. Tito is probably fatigued from his recent 16-day trip to South Asia. The US Embassy in Belgrade noted that, at yesterday's farewell ceremonies for Mexican President Echeverria, Tito looked "stiff and totally lacking in animation."



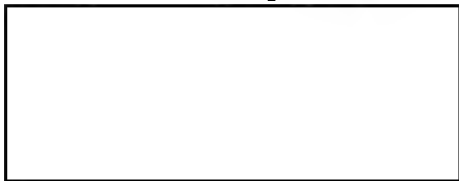
Cuba-Yugoslavia: Cuban Armed Forces Minister Raul Castro will lead a party-government delegation on a visit to Yugoslavia from February 19 to 25. The visit is a sign of the considerable improvement in relations between the two countries during the past year. Castro's other stops on his current East European swing have been Moscow and Prague.



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